Santander Asset Management

Santander Go Asian Equity

9 / 2025

Marketing Communication

Fund commentary

Performance overview:

Asian equities had another very strong month in September, with the regional index rising almost 7% in US dollar terms, taking gains to approximately 25% year to date and we are now within c.7% of the index's all time high from February 2021.

Despite the uncertainty surrounding US tariff policies and their impact on future growth and inflation, as well as heightened geopolitical risks in Ukraine and the Middle East, expectations of US rate cuts at a time of buoyant AI-related technology spending are underpinning sentiment.

The fund posted a positive return and significantly outperformed the benchmark over the month and quarter.

Drivers of fund performance:

Looking at quarterly returns, strong stock selection was the key driver of the fund's positive relative performance.

At the market level, selection was strongest by far in China, while it also contributed notably in Taiwan. Regarding allocation, the underweight exposure to India proved to be beneficial.

On a sector basis, selection was especially supportive in materials, and to a lesser degree, in information technology and industrials.

In terms of stock performance, the strongest returns came from the positions in Zijin Mining, Delta Electronics and Contemporary Amperex Technology.

The weakest performers were the holdings in Hugel, the underweight in TSMC, and Kumho Petrochemical.

Portfolio activity:

During the period, we added Hon Hai Precision in Taiwan, which we expect to benefit from robust US cloud service provider capex growth. We also added Mahindra & Mahindra which should benefit from the reduction in GST rates in India. We also added Samsung Fire & Marine in Korea which we believe will continue to re-rate on expectations for improved capital management.

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We took profits in TSMC, as well as Newmont Corporation and Shandong Gold Mining given the strong rally in both these names on the back of rising gold prices.

Outlook/positioning:

Despite a still sluggish economic backdrop, China investors have turned very bullish on the prospects for semiconductor, AI and robot-related technology. Restrictions on Nvidia chip imports and cutting-edge semiconductor manufacturing equipment reinforce the necessity of China developing its own advanced semiconductor supply chain, while improvements in local AI models and advancements in robot development have raised confidence in China's domestic players in these growth industries. More generally, the A-share market also has a history of developing its own strong momentum, sucking in domestic fund flows once it starts to break out on the upside. We have started to see signs of this in recent months, with increased retail trading activity, account openings and margin finance balances

The North Asian markets of Korea and Taiwan were very strong again during the month, led by the technology sector. Confidence has continued to improve in recent weeks on the outlook for AI-related capex on new data centre infrastructure around the world. Earnings revisions for key large-cap technology stocks across these two markets remain positive, and valuations are at marked discounts to US peers, which is helping stock price performance. The Korean market also continues to benefit from improved domestic sentiment following the presidential election in early June, where opposition party leader Lee Jae Myung won a clear victory, bringing hopes for more decisive policymaking and improved corporate governance.

The Indian market has continued to underperform the broader regional index this year, coming off a very high base after its relative strength in 2023 and 2024. Domestic fund flows remain very robust, supporting valuations, but foreigners have been net sellers as attention and flows have turned to North Asian markets while high headline multiples remain a headwind. Smaller Southeast Asian markets have also lagged. Valuations across Thailand, Philippines and Indonesia are undemanding, but local economic growth has been soft, while all three countries are struggling with heightened political risk that is impacting both local confidence and foreign capital flows

With the recent strength in markets, aggregate price to earnings multiples for regional equities are approaching one standard-deviation above long-term average levels and are not pricing in any real downside risk from a global growth slowdown or more serious tariff impacts.

More and more of the market performance this year has become tied to the AI-thematic, whether that is the semiconductor supply-chain names in Korea and Taiwan or the 'internet' stocks in China. Continued momentum in AI-related capex spending globally and improvements in the monetisation outlook for these businesses therefore remains

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key to the future performance of Asian equities, perhaps even more so today than local economic developments on the ground in the region. The outlook for US interest rates and US dollar also will remain very important to regional returns.

Although the macroeconomic backdrop for markets remains volatile and the range of outcomes is wide, we continue to see attractive longer-term opportunities across Asian equities. Despite the strength of the rally this year, global investor participation in China and the broader region remains fairly limited, and continued positive performance could help improve perceptions of risk and attract more flows.

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